

NCCI Report & Workers' Compensation Cost Reduction Workshop



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Workshop Objectives

- How to Understand Your NCCI Report
- How to Identify Errors on Your NCCI Report
- How to Manage & Reduce Your Mod Rate
- How to Lower Costs Through Proactive Claims / Clinical Management

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Why Are Worker Compensation Premiums Increasing?

- Insurance Marketplace – M & A's / Insolvency's
- Insurance Company's Investment Income
- Insurance Company's Operating Profits/(Losses)
- Increasing Medical & Indemnity Costs
- Economic Turmoil

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Insurance Marketplace

- Mergers and Acquisitions
 - ST Paul – Travelers – USF & G
 - C.N.A. – Continental Insurance
 - Hartford – Reliance
 - AIG – Conglomerate
 - Regionals – EMC, Allied, Unigard, AutoOwners

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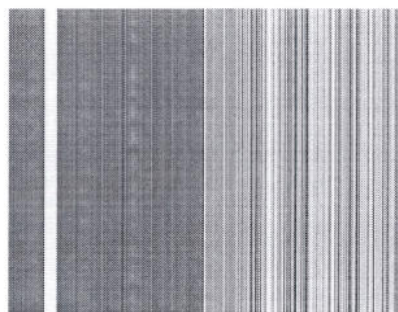
Insurance Marketplace (Cont.)

- Insolvency / Rating Downgrades
 - Kemper
 - Reliance
 - Royal Sun Alliance
 - Wasatch Crest
 - Washington Mutual Insurance

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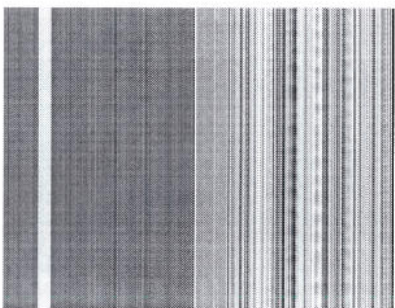
Investment Income



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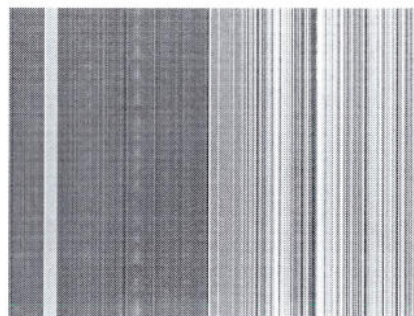


Operating Profits / (Losses)



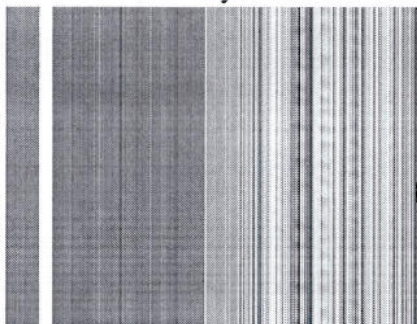
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Medical Costs



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Indemnity Costs



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Economic Turmoil

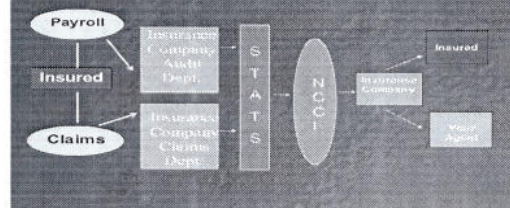
- Insurance Premiums Less
- Investment Income Down
- Insurance Company Profits Down
- Claims Up
- Less Capital Investment – Bad
- What will be the net result???

GET READY...!!!

Experience Modification
Rating Worksheets are the
Heart and Soul of your
Workers' Compensation
Premium

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Experience Mod Map



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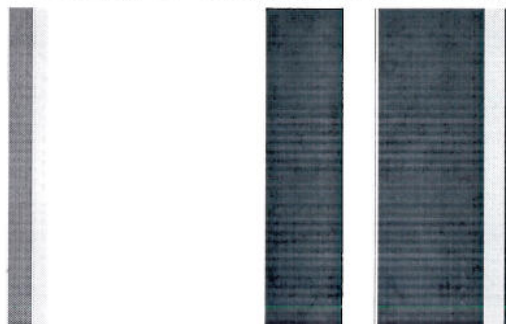
Changing Policy Dates

- Prospective client has a 4/12/06 renewal date.
- Experience mod will be a 1.15.
- Current carrier and broker were willing to change renewal date to 1/1/06 for "convenience".
- Changing of policy would result in an overcharge in premium of approximately \$45,000 due to an increased experience mod.

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Accuracy of Claims from Loss Runs

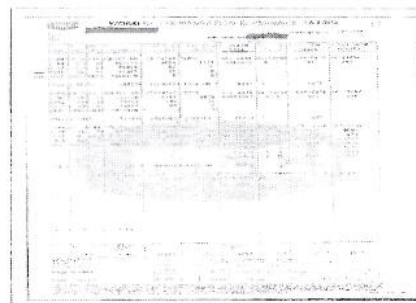


6 Month Valuation Date

- 6 months prior to renewal date
- Unit Statistical Report
- Claims reviewed prior to Valuation Date
- Open / Closed
- Reserves
- Aggravated Inequity Rule – closed claim 25% below reserves



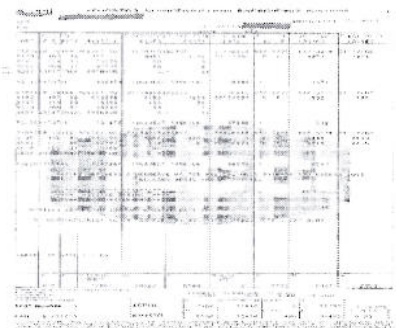
Accuracy of Claims / Valuation Date



Loss Runs

Claim Number	IJ Code	Reserve Amount	Closed Amount	Loss Date	Closed Date	IJ Code
80000279	5	\$14,500	\$2,479	01/09/08	08/22/08	6
70002390	6	\$4,575	\$127	06/22/07	08/26/08	6
70003915	6	\$4,575	\$1,219	10/17/07	09/09/08	6
70004338	6	\$4,575	\$245	11/19/07	09/15/08	6
70004438	6	\$4,575	\$132	09/21/07	09/16/08	6
80000637	6	\$4,575	\$278	01/31/08	09/26/08	6

Accuracy of Claims / Valuation Date



Valuation Date Summary

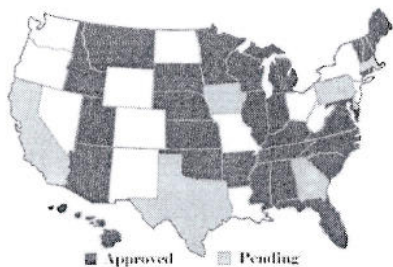
- 6 open claims at valuation date
- All 6 were closed within 1 month of valuation date
- E-Mod before claims were closed: 1.21
- E-Mod after claims were closed/fixed: .83
- WC premium before claims were closed: \$39K
- WC premium after claims were fixed: \$23K

E.R.A. - 70% Rule (Experience Rating Adjustment)

- A claim that *Did Not* incur any *Indemnity Payments* will have medical expense costs *Reduced by 70%* for mod calculation purposes
- State Specific – Utah (Yes)

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ERA States

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Financial Impact Injury Code 5 vs 6

Line Item	Description	Amount	Code	Notes
1	Medical Expenses	\$10,000	5	Initial medical expenses
2	Medical Expenses	\$10,000	6	Subsequent medical expenses
3	Medical Expenses	\$10,000	5	Initial medical expenses
4	Medical Expenses	\$10,000	6	Subsequent medical expenses
5	Medical Expenses	\$10,000	5	Initial medical expenses
6	Medical Expenses	\$10,000	6	Subsequent medical expenses
7	Medical Expenses	\$10,000	5	Initial medical expenses
8	Medical Expenses	\$10,000	6	Subsequent medical expenses
9	Medical Expenses	\$10,000	5	Initial medical expenses
10	Medical Expenses	\$10,000	6	Subsequent medical expenses

Injury Code 5 v. 6

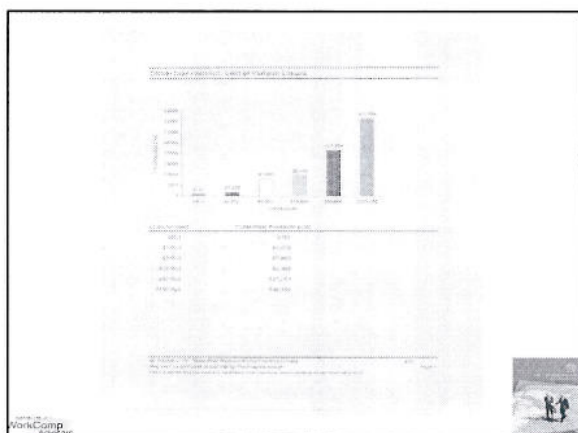
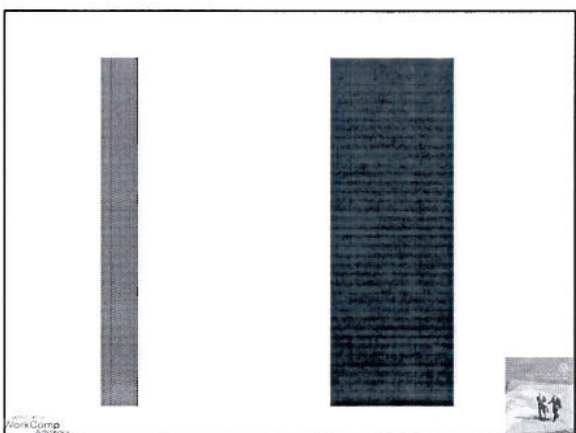
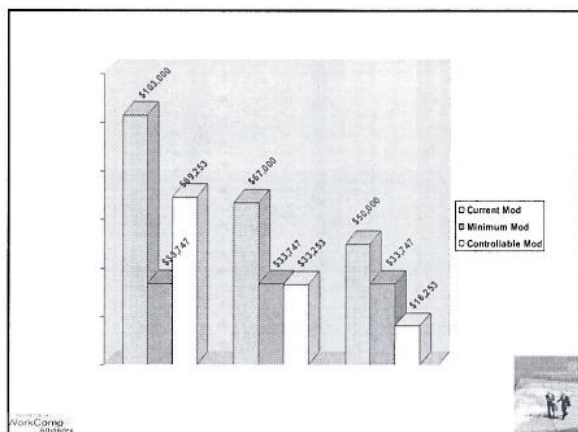
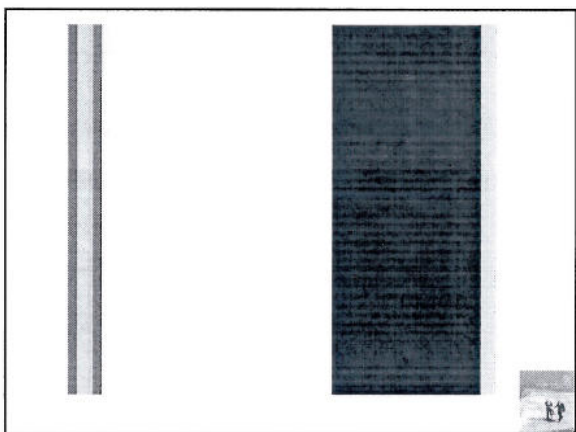
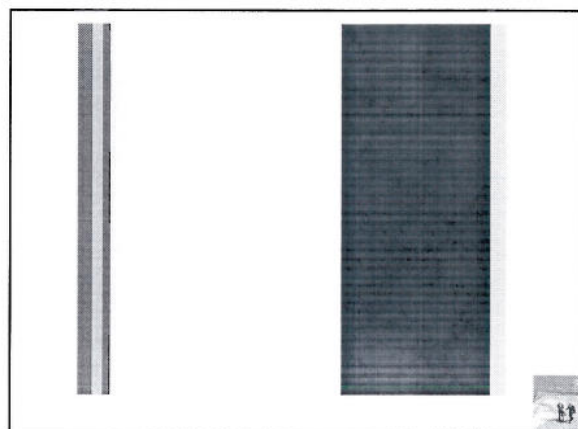
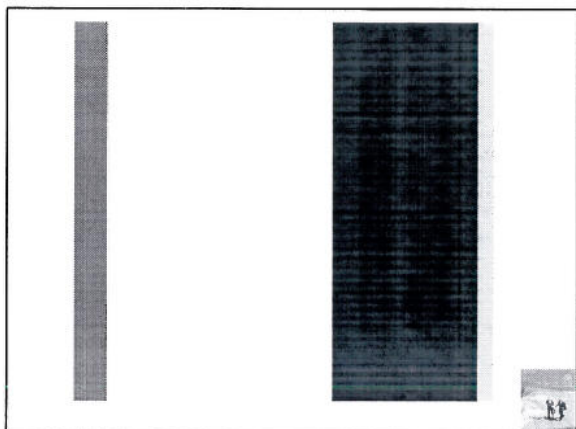
Line Item	Description	Amount	Code	Notes
1	Medical Expenses	\$10,000	5	Initial medical expenses
2	Medical Expenses	\$10,000	6	Subsequent medical expenses
3	Medical Expenses	\$10,000	5	Initial medical expenses
4	Medical Expenses	\$10,000	6	Subsequent medical expenses
5	Medical Expenses	\$10,000	5	Initial medical expenses
6	Medical Expenses	\$10,000	6	Subsequent medical expenses
7	Medical Expenses	\$10,000	5	Initial medical expenses
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9	Medical Expenses	\$10,000	5	Initial medical expenses
10	Medical Expenses	\$10,000	6	Subsequent medical expenses

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3 Analyses Which Must be Studied by Everyone with Experience Mod

- The Gap Between your Current Mod and Minimum Mod
- Actual vs. Expected Losses
- The Cost of Each Loss

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FIRST MED
Your Health Your Schedule

Concentra
HEALTHCARE

Intermountain
HEALTHCARE

WORKSAFE

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Credit Rate v. Mod Rate

- Marketplace / Fed
- Marketplace / Loss History
- DNB / TRW / Equifax
- NCCI
- Financially Responsible
- Responsible Risk Mgt
- Competent Banker, CPA
- Competent Broker, Agent

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Credit Rate v. Mod Rate (Cont.)

Workers' Compensation is not insurance. Technically, it is an employee benefit. It is also a financing mechanism. You will typically pay back every small claim by an average of 1 to 3 times over 3 years.

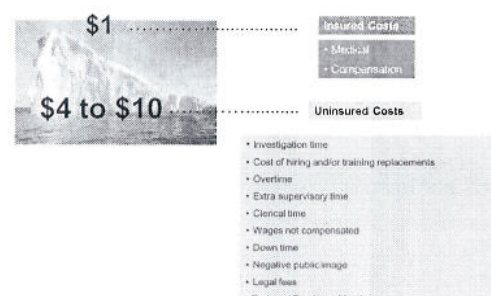
If you were seeking a business loan, what rate would you qualify for? What rate would you find acceptable?

What mod rate do you currently have? What mod rate would you find acceptable? What mod rate could you have?

Prime Rate = Min Mod Rate

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Direct / Indirect Costs The Tip of the Iceberg



Insured Costs

- Medical
- Compensation

Uninsured Costs

- Investigation time
- Cost of hiring and/or training replacements
- Overtime
- Extra supervisory time
- Clerical time
- Wages not compensated
- Down time
- Negative public image
- Legal fees
- Reduced Employee Morale

The Real Cost of Accidents Can Be Measured and Controlled

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Something to Consider...

- If you have two roofing companies with 50 employees each, one company has a mod of 1.50 and the other company has a mod of 1.00; is there any difference in these exposures?
- Who gets paid more when your mod rate increases?
- What incentive does the insurance industry have to reduce your mod rate?

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Are you in Control of your Experience Mod?

Do you need Help in controlling your Experience Mod?

Who do you want to help you with your Experience Mod?

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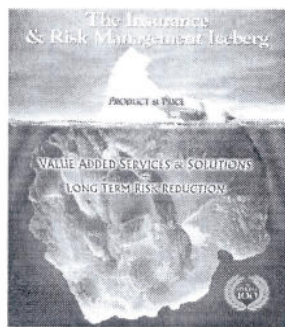
Workshop Summary

- Do you understand your NCCI report?
- Do you know where to find errors?
- Do you understand the ERA rule?
- Do you understand 6 month Valuation Date?
- Do you understand the importance of "Return To Work" policy?
- Do you understand the total cost of injuries?



Ways to Reduce Workers Compensation Cost

- | | |
|---|--|
| ■ Implement proactive HR strategies | ■ Utilize manage care with clinic |
| ■ Establish formal written safety programs | ■ Establish proactive claims management |
| ■ Create a formal written "return to work" policy | ■ Create systematic training program |
| ■ Maintain a drug free workplace | ■ Consult w competent "trusted advisors" |
| ■ Conduct a NCCI analysis | ■ Improve safety culture |



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Value Added Services

- | | |
|----------------------------------|------------------------------|
| ■ Transitional Duty Program | ■ Supervisor Safety Training |
| ■ Safety Meetings | ■ Drug Testing Consultation |
| ■ Safety / Loss Control Manuals | ■ Driver's Policy |
| ■ Tool Box Talks | ■ HR Assessment |
| ■ Job Hazard Assessments (JHA's) | ■ Employee Handbook |
| ■ OSHA Compliance / Review | ■ Annual Safety Plan |
| ■ Quarterly Claims Reviews | ■ MyWave - Internet Safety |
| ■ E Mod Analysis | ■ Newsletters |
| ■ Emergency Action Plan | ■ Full Time Safety Manager |



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"A Partnership To Manage Risk"™

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